

~~ER 10-961/A~~

8 March 1958

The Honorable H. Alexander Smith
United States Senate
Washington, D. C.

Dear Alex:

I apologize for the delay in replying to your letter of 10 February. I wanted to get as complete answers to your questions as possible. I hope that the information furnished on the attached sheets answers your questions to your satisfaction.

This material has been prepared in a fashion which lends itself to insertion with the transcript of the Committee's meeting on Friday, the seventh of February, if that is your desire and consistent with Committee procedures, and should bear the same classification of the transcript.

Sincerely,

Signed
Allen W. Dulles
Director

Enclosures

Answers to 7 questions

O/DD/I-PEB

Retyped: O/DCI:jf

Distribution:

O & I - Addresssec

#1 -

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#4 & 5 -

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1 - ER

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2 - O/DD/I

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16496/

Question No. 1: To what extent has the American satellite restored throughout the world the psychological loss which we suffered as a result of the launching of the two Russian satellites?

The launching of the "Explorer" satellite has diminished but not restored the psychological loss the United States suffered as a result of the two Russian satellites. "Explorer" has not completely offset the enhanced prestige the USSR acquired by its achievements but it has restored to a considerable extent the free world's confidence in American scientific capabilities at this date. A residue of respect and fear of Soviet technological advances probably will remain for an indefinite time and, of course, will be affected by future developments. The USSR has had considerable success in its efforts to translate its scientific gains into terms of military and diplomatic prestige. At the same time, the free world's confidence today that the United States can match these Soviet achievements and maintain its power position remains high.

The countries of Asia and Africa have generally responded to the launching of the American satellite "Explorer" with expressions of satisfaction and relief. The Soviet Union's apparent runaway lead in missile development has been reduced to more realistic proportions and it appears that Asian-African leaders consider the technical balance between the United States and the Soviet Union to have been somewhat restored. Throughout the area there has been a near unanimity in the view that, since the United States now has a satellite too, the prospects as well as the need for a summit meeting have become more immediate. On the other hand, though the psychological loss to the United States has been cut by the successful launching of "Explorer," the pre-Sputnik preeminence of the United States has not yet been restored. Russia by launching the first satellites gained an exaggerated advantage and the American follow-up has only been able to reduce this advantage to more reasonable proportions.

The major Asian-African countries, Japan, India, Egypt and Australia provide typical reactions. The Japanese press and government officials have expressed real satisfaction in the American success -- but accept the premise that the United States is still substantially behind the USSR. Japan is favorably impressed by the public availability of "Explorer's" scientific information. The need for a US-USSR summit conference is felt to have been increased.

Though there has been no official reaction from the Indian Government, private army comments have expressed gratification and the assumption that the Soviet Union, since the "Explorer's" launching, is not so likely to launch an attack. The Indian press reported "relief and elation" felt by the Indian public and the expectation of US-USSR negotiations.

CONFIDENTIAL

The Egyptian reaction was one of satisfaction. "Explorer" following on the heels of the Sputnik family was full justification of Egyptian neutrality and spelled out the necessity of summit agreements. In Australia, where the launching of Sputnik had been received calmly though with concern for the international implications, the "Explorer" was received with strong satisfaction -- but American prestige had neither been seriously undermined there nor did it need so much repair as elsewhere in the Asian-African countries.

Among Far Eastern countries outside Japan, "Explorer" came as a welcome antidote. In Taiwan, Sputnik had aroused grave concern and seriously undermined confidence in American scientific leadership. "Explorer" has helped to restore that confidence. In Korea, elation at the United States come-back was similar.

Throughout Southeast Asia the launching of the US satellite has been greeted with satisfaction. Like most of Asia and Africa, however, the governments and peoples of the area have been deeply engrossed in problems of internal development and therefore have registered relatively little official reaction to either the launchings of the Soviet Union or that of the United States. Both events were beyond the capacity and almost beyond the concern of these governments. However, though the left wing press in Indonesia and other countries belittled the American success, the main response appears to have followed the area-wide pattern -- the US-USSR balance has been partially restored and the needs for and the prospects of a summit conference have been enhanced.

In South Asia, too -- Pakistan, Afghanistan and Ceylon, as well as India -- American success was the cause of relief. In general, most of the peoples of the area, for the few months prior to "Explorer" thought the Russians had a commanding lead and now they feel that the United States has caught up again.

The response from non-Arab Africa has been similarly favorable. The United States has reclaimed its position in competition with the Soviet Union. The Union of South Africa was "impressed" but apprehensive over the emergence of a full fledged scientific arms race. In Ethiopia, editorial comment "never doubted" the United States would do it. In Ghana, the educated elite, reported to have sense of "participation" in the American effort, is gratified by the success.

Only in Arab Africa and Asia has the impact of "Explorer" been notably limited. Intra-Arab problems dominated the news and editorial comment and little of significance has appeared beyond the stated Egyptian position -- "Explorer" reinforces their arguments for neutralism and little more. Here, more than anywhere else in the Asian-African countries, the net impact of the "Explorer" launching may be said to have only stopped the decline of American prestige but not to have rehabilitated the United States position.

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Question No. 2: Will the conquest of outer space by both Russia and the US effect changes in the attitudes of both countries towards war as an instrument of foreign policy? Will it make the waging of conventional war obsolete?

We do not believe that the USSR's conquest of outer space will result in any sudden or fundamental change in the Soviet leaders' attitudes toward war as an instrument of foreign policy. It remains unlikely that they will initiate general war or pursue courses of action which, in their judgment, gravely risk general war, in the foreseeable future. At the same time, however, the Soviet leaders are probably confident that their own growing nuclear capabilities, added to their great conventional strength, are increasingly deterring the United States and its allies from courses of action gravely risking general war. As a result, the Russians probably believe they have achieved greater freedom of maneuver in local situations which will increase their ability to take advantage of opportunities to advance Soviet objectives with less risk of effective Western counter-action.

While the Soviet leaders would probably believe their relative capabilities would be greater if any future local war were fought with conventional weapons only, it is unlikely they would consider it possible to impose such a limitation in many circumstances. Soviet diplomatic notes and propaganda over the past two years have strongly rejected the idea that local wars in the nuclear age could be kept from spreading. Premier Bulganin's letters to the NATO heads of government last December, for example, stated that it would be a "dangerous delusion to believe that war . . . can be confined to a single area." He contended that both modern weapons developments and the global dimensions of "antagonistic military alignments" make it impossible "to keep war within definite geographical boundaries."

Question No. 3: Can we count on internal change in Russia as a basis for foreign policy? Is there a long-run trend in Russia towards greater freedom?

Certain long-run factors presently operating in the USSR are working in the direction of greater freedom. One of these is the widening mental horizon of the Soviet citizen, due to the rapid expansion of education and the slow growth of contacts with other societies. Another is the post-Stalin leaders' recognition that the continued viability of their system requires broader popular initiative -- which Stalin snuffed out -- if it is to win the race of competitive coexistence. To encourage initiative, however, requires allowing at least some degree of personal autonomy, which they are therefore beginning to grant in small doses. But initiative and autonomy together tend to lead to individualism and a greater sense of personal worth. It is by no means certain that the Soviet citizen can be educated to a higher level, urged to exercise his own initiative, given increasing opportunity for comparison with other countries, and encouraged to expect his living standard to rise, and at the same time continue to submit without question to all the demands of a totalitarian government. Eventually it may turn out that the benevolent dictatorship which Stalin's successors seek is an impossible contradiction and that the forces released in the search for it will require the leadership to revert to earlier patterns of control or to permit an evolution in some new direction.

But even evolutionary internal changes would not necessarily alter the basic threat which a dynamic USSR poses to the Free World. They might, over the years, tend to blunt the ideological edge of Soviet Communism. They might, if the Communist Party is not careful, force it to pay greater attention to the demands of the Soviet citizens, thus limiting the resources available to support expansionism abroad. But any evolution toward greater internal freedoms might affect foreign policy last of all. The USSR's external aggressiveness is not one of the Soviet citizen's major grievances. We would be mistaken to think that the Russian populace, if blessed with a more representative government, would promptly renounce with democratic horror the foreign gains of Soviet Communism, disavow its expansionism, and dismantle its world-wide apparatus. In fact, since the average Russian has long felt his country to be an underdog, he is inclined to approve its triumphs abroad and to identify them with the fatherland's interests.

So even if popular opinion gained more influence in the USSR, it might not reduce very much the aggressiveness and expansionism of Soviet foreign policy. This result would depend on many other factors and would, I fear, be a long-run and uncertain prospect at best.

Question No. 4: What will be the effect of the new treaty for increased cultural exchange? Can we expect to get down to the Russian people with our message?

Planned East-West exchanges between the United States and the USSR, as they exist today, will only begin the process of opening up the Soviet Union. Some American films, and radio and television programs may get a fairly wide audience, and these should have a favorable, although small, impact on the Soviet people. There will also be a modest number of tourists who will see the US at first hand. In general, however, contacts will be limited to privileged groups such as athletes, students, and educated Soviet officials and technicians who will undoubtedly be strongly committed to the Soviet point of view. The impact of this part of the exchange program on the Soviet people at large will therefore be both indirect and small.

On the other hand, the students and Soviet technicians and officials contacted will be well enough educated to appreciate the significance of what they see more readily than the average citizen would. Furthermore, they will be well placed to have some direct impact on Soviet policy if they are influenced by what they learn in the course of the exchanges. Since these privileged groups are present and future leaders of opinion in the USSR, they are an important target for our attempts to communicate the American point of view.

The present program of planned exchanges might produce two results leading to a greater impact of US thinking on the Soviet people. First, we may be able to encourage some change in attitude in the USSR through direct contacts with privileged groups. Even more important, however, if these exchanges proceed smoothly, the Soviet government may be willing to expand their scope and this in turn would permit us to spread the extent of our impact on the country as a whole.

Question No. 5: What would be the effect on our relative positions of an increase in trade with Russia? Should we extend our economic aid to the satellites where possible?

Increased trade between the US and the USSR would probably not provide enormous economic benefits to either country. Soviet leaders, while seemingly amenable to some increase in trade, cannot be expected to allow the USSR to become dependent to any great extent on markets or sources of supply over which they have little or no control. They would probably exercise great discretion over expansion of trade with the US, in particular restricting Soviet exports to items that would not significantly affect the strategic power of the US. Nevertheless, both countries would probably benefit from an expansion of trade within the limits that Soviet leaders conceivably would allow. For example, the US might benefit by importing Soviet manganese or industrial machinery of advanced design, while the USSR might gain by importing American consumer goods or industrial machinery. On the whole, it appears that the modest gains resulting from an expansion of trade would accrue more to the USSR than to the US.

As an information rather than a policy-forming agency of the Executive Branch, I may only point out the tangible results of the extension of American economic aid to Poland rather than give a direct answer to the second part of your question. It is our judgement that American aid to Poland, even though only a fraction of that extended by the USSR, has strengthened Gomulka's leadership in Poland. Gomulka is a Communist, but he is a person who has had the courage to question the absolute hegemony of Russian leadership. His leadership owes much of its success to its ability to hold out hope for freer political, economic and social institutions to non-Communist Poles even though the Gomulka regime itself would be hesitant to initiate such reforms.

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Question No. 6: Do you expect an acceleration of the "cold war" (political, economic, psychological) by Russia in the future?

We do expect a continuation and acceleration of those forms of cold war activity to which the Soviet leaders have turned increasingly since the death of Stalin. They appear to regard the world situation as ripe to develop in their favor by continuation of their present tactics, and display a great deal of confidence, buttressed by their recent political and technological successes, in the prospects for ultimate victory of their side. While building up their armed strength against any eventuality and prepared to use threats or even local force if the risks seem acceptable, the present leaders have probably decided that an over-all posture of "peaceful coexistence" will best assure against the risks of all-out nuclear conflict and at the same time offer far-reaching opportunities for the advancement of Soviet aims. In particular they will probably intensify their efforts to woo the less developed countries in order to estrange them from the West and lay the groundwork for growing Soviet influence. They can also be expected to further stress such tactics as will cause further blurring of lines between Communist and non-Communist worlds and cause retraction of US strength from around the periphery of the Bloc.

Question No. 7: Will the Russian economic system be able to sustain a sizeable foreign aid program?

The USSR has sufficient economic strength to sustain a large foreign assistance program as long as Soviet leaders choose to do so. Although the Soviet Gross National Product is only about \$170 billion (approximately 40 percent that of the US), Soviet planners allocate a relatively small fraction of available goods and services to consumers. The USSR is already devoting almost as much of its annual output as the US to such things as capital formation, armaments, and foreign assistance. Thus, because of the low living standards in the USSR, a foreign assistance program equal in size to that of the US, would not seriously deter the continued development of the Soviet economy. Moreover, production levels in the USSR are expanding rapidly and should enable Soviet leaders -- if they choose in the future -- simultaneously to spend more than the US is now spending on foreign aid, defense, and military research and development, and achieve limited gains for individual consumption.

1. The launching of the "Explorer" satellite has diminished but not restored the psychological loss the United States suffered as a result of the two Russian satellites. "Explorer" has not completely offset the enhanced prestige the USSR acquired by its achievements but it has restored to a considerable extent the free world's confidence in American scientific capabilities at this date. A residue of respect and fear of Soviet technological advances probably will remain for an indefinite time and, of course, will be affected by future developments. The USSR has had considerable success in its efforts to translate its scientific gains into terms of military and diplomatic prestige. At the same time, the free world's confidence today that the United States can match these Soviet achievements and maintain its power position remains high.

2. We do not believe that the USSR's conquest of outer space will result in any sudden or fundamental change in the Soviet leaders' attitudes toward war as an instrument of foreign policy. It remains unlikely that they will initiate general war or pursue courses of action which, in their judgment, gravely risk general war, in the foreseeable future. At the same time, however, the Soviet leaders are probably confident that their own growing nuclear capabilities, added to their great conventional strength, are increasingly deterring the United States and its allies from courses of action gravely risking general war. As a result, the Russians probably believe they have achieved greater freedom of maneuver in local situations

which will increase their ability to take advantage of opportunities to advance Soviet objectives with less risk of effective Western counter-action.

While the Soviet leaders would probably believe their relative capabilities would be greater if any future local war were fought with conventional weapons only, it is unlikely they would consider it possible to impose such a limitation in many circumstances. Soviet diplomatic notes and propaganda over the past two years have strongly rejected the idea that local wars in the nuclear age could be kept from spreading. Premier Bulganin's letters to the NATO heads of government last December, for example, stated that it would be a "dangerous delusion to believe that war...can be confined to a single area." He contended that both modern weapons developments and the global dimensions of "antagonistic military alignments" make it impossible "to keep war within definite geographical boundaries."

25X1A

Explorer, Sputniks, and US prestige

25X1A

The launching of the Explorer has diminished, but not restored the psychological loss the United States suffered in Western Europe and Latin America as a result of the two Russian satellites.

The unprecedented respect gained for Russian science and technology has not been seriously dented by the American achievement. Whereas before the sputniks, Western opinion tended to assume American superiority in these fields, ^(post- Explorer) Most comments point to a "restoration" of equality between American and Russian scientific programs; and some Canadian and Scandinavian, especially Swedish, opinion holds that the USSR retains a lead in the space-missile field. Italian observers suggest that Explorer has not affected the modest gain in prestige that ^{the} sputniks brought to the Italian Communist Party.

Western European and Latin American reaction to Explorer has been one of gratified relief. The bulk of press comment asserts that the power balance between East and West has been restored, and that the United States should regain its self-confidence. Yet the European popular desire for high level East-West negotiations partially brought

post-sputnik gloom shows no signs of abating, and the press widely anticipated that having Explorer in space would make Washington more amenable to such talks. Thus ironically, Europeans regard the extent to which Washington goes along with a sputnik-induced popular cause as a measure of the restoration of American self-confidence and recovery from the sputnik's psychological blow.

SECRET

AA/Greece-Turkey-Iran
[REDACTED]

SUBJECT: Impact of American "EXPLORER".

25X1A

1. Greece: A genral feeling of relief and pleasure greeted the launching of the U.S. satellite. Most Breeks feel that the balance has been re-established and look forward to further proof that the USSR has not out-distanced the US in space. (C Athens Desp. 560, 4 Feb 58)

The Greek press hailed the launching of the US ~~###~~ satellite and regarded it as an indication that the balance had been restored between East and West. (Ibid).

2. Turkey: Turkish press and public uniformly pleased and enthusiastic. Consensus is that the US satellite "Explorer" demonstrates that the US has overcome "Sputnik's" lead and confirms confidence that free world has placed in US technological superiority. One observer opined that Sputnik served the useful purpose of shaking American people out of their dangerously complacent attitude. Majority of Turkish comment stresses ~~####~~ the restoration of "power balance" on both military and psychological planes, which is essential for the success of negotiations to reduce international tensions. (C/

3. IRAN: Iranian officials jubilant over "Explorer" launching, only now indicating openly their extreme concern over US prestige during the post-Sputnik pre-explorer period. Joint Weeka comment: Shock of original Sputnik launching, however, will not permit Iranians in the future to underrate Soviet science and technology. (S)

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Office Memorandum • UNITED STATES GOVERNMENT

TO : Acting Chief, General Division
(Attention: [REDACTED])

DATE: 27 February 1958

25X1A

FROM : Chief, Asian African Division

SUBJECT: Asian-African Reaction to the Launching of "Explorer"

1. The countries of Asia and Africa have generally responded to the launching of the American satellite "Explorer" with expressions of satisfaction and relief. The Soviet Union's apparent runaway lead in missile development has been reduced to more realistic proportions and it appears that Asian-African leaders consider the technical balance between the United States and the Soviet Union to have been somewhat restored. Throughout the area there has been a near unanimity in the view that, since the United States now has a satellite too, the prospects as well as the need for a summit meeting have become more immediate. On the other hand, though the psychological loss to the United States has been cut by the successful launching of "Explorer," the pre-Sputnik pre-eminence of the United States has not yet been restored. Russia by launching the first satellites gained an exaggerated advantage and the American follow-up has only been able to reduce this advantage to more reasonable proportions.

2. The major Asian-African countries, Japan, India, Egypt and Australia provide typical reactions. The Japanese press and government officials have expressed real satisfaction in the American success--but accept the premise that the United States is still substantially behind the USSR. Japan is favorably impressed by the public availability of "Explorer's" scientific information. The need for a US-USSR summit conference is felt to have been increased.

3. Though there has been no official reaction from the Indian Government, private army comments have expressed gratification and the assumption that the Soviet Union, since the "Explorer's" launching, is not so likely to launch an attack. The Indian press reported "relief and elation" felt by the Indian public and the expectation of US-USSR negotiations.

4. The Egyptian reaction was one of satisfaction. "Explorer" following on the heels of the Sputnik family was full justification of Egyptian neutrality and spelled out the necessity of summit agreements. In Australia, where the launching of Sputnik had been received calmly--though with concern for the international implications, the "Explorer" was received with strong satisfaction--but American prestige had neither been as seriously undermined there nor did it need so much repair as elsewhere in the Asian-African countries.

5. Among Far Eastern countries outside Japan, "Explorer" came as a welcome antidote. In Taiwan, Sputnik had aroused grave concern and seriously undermined confidence in American scientific leadership. "Explorer" has helped to restore that confidence. In Korea, elation at the United States come-back was similar.

6. Throughout Southeast Asia the launching of the US satellite has been greeted with satisfaction. Like most of Asia and Africa, however, the governments and peoples of the area have been deeply engrossed in problems of internal development and therefore have registered relatively little official reaction to either the launchings of the Soviet Union or that of the United States. Both events were beyond the capacity--and almost beyond the concern of these governments. However, though the left wing press in Indonesia and other countries belittled the American success, the main response appears to have followed the area-wide pattern;--the US-USSR balance has been partially restored and the needs for and the prospects of a summit conference have been enhanced.

7. In South Asia, too--Pakistan, Afghanistan and Ceylon, as well as India, American success was the cause of relief. In general, most of the peoples of the area, for the few months prior to "Explorer," thought the Russians had a commanding lead--and now they feel that the United States has caught up again.

8. The response from non-Arab Africa has been similarly favorable. The United States has reclaimed its position in competition with the Soviet Union. The Union of South Africa was "impressed"--but apprehensive over the emergence of a full fledged scientific arms race. In Ethiopia, editorial

comment "never doubted" the United States would do it. In Ghana, the educated elite, reported to have sense of "participation" in the American effort, is gratified by the success.

9. Only in Arab Africa and Asia has the impact of "Explorer" ~~has~~ been notably limited. Intra-Arab problems dominated the news and editorial comment and little of significance has appeared beyond the stated Egyptian position --"Explorer" reenforces their arguments for neutralism and little more. Here, more than anywhere else in the Asian-African countries, the net impact of the "Explorer" launching may be said to have only stopped the decline of American prestige but not to have rehabilitated the United States position.

25X1A



CC:
CS/FWA

24 February 1958

MEMO FOR DD/I

SUBJECT: Proposed Answers to Questions from Senator ^{H.A.} Smith

The following suggested answers to Questions ^B and 6, which were passed to O/NE, have been largely paraphrased from NIE 11-4-57, but there seems little reason why they can't be put into the public domain.

Question ⁷: Certain long-run factors presently operating in the USSR are working in the direction of greater freedom. One of these is the widening mental horizon of the Soviet citizen, due to the rapid expansion of education and the slow growth of contacts with other societies. Another is the post-Stalin leaders' recognition that the continued viability of their system requires broader popular initiative -- which Stalin snuffed out -- if it is to win the race of competitive coexistence. To encourage initiative, however, requires allowing at least some degree of personal autonomy, which they are therefore beginning to grant in small doses. But initiative and autonomy together tend to lead to individualism and a greater sense of personal worth. It is by no means certain that the Soviet citizen can be educated to a higher level, urged to exercise his own initiative, given increasing opportunity for comparison with other countries, and encouraged to expect his living standard to rise, and at the same time continue to submit without question to all the demands of a totalitarian government. Eventually it may turn out that the benevolent dictatorship which Stalin's successors seek is an impossible contradiction and that the forces released in the search for it will require the leadership to revert to earlier patterns of control or to permit an evolution in some new direction.

But even evolutionary internal changes would not necessarily alter the basic threat which a dynamic USSR poses to the Free World. They might, over the years, tend to blunt the ideological edge of Soviet Communism. They might, if the Communist Party is not careful, force it to pay greater attention to the demands of the Soviet citizens, thus limiting the resources available to support expansionism abroad. But any evolution toward greater internal freedoms might affect foreign policy last of all. The USSR's external aggressiveness is not one of

the Soviet citizen's major grievances. We would be mistaken to think that the Russian populace, if blessed with a more representative government, would promptly renounce with democratic horror the foreign gains of Soviet Communism, disavow its expansionism, and dismantle its world-wide apparatus. In fact, since the average Russian has long felt his country to be an underdog, he is inclined to approve its triumphs abroad and to identify them with the fatherland's interests.

So even if popular opinion gained more influence in the USSR, it might not reduce very much the aggressiveness and expansionism of Soviet foreign policy. This result would depend on many other factors and would, I fear, be a long-run ~~and uncertain~~ prospect at best.

Question 6: We do expect a continuation and acceleration of those forms of cold war activity to which the Soviet leaders have turned increasingly since the death of Stalin. They appear to regard the world situation as ripe to develop in their favor by continuation of their present tactics, and display a great deal of confidence, buttressed by their recent political and technological successes, in the prospects for ultimate victory of their side. While building up their armed strength against any eventuality and prepared to use threats or even local force if the risks seem acceptable, the present leaders have probably decided that an over-all posture of "peaceful co-existence" will best assure against the risks of all-out nuclear conflict and at the same time offer far-reaching opportunities for the advancement of Soviet aims. In particular they will probably intensify their efforts to woo the less developed countries in order to estrange them from the West and lay the groundwork for growing Soviet influence. They can also be expected to ~~further~~ stress such tactics as will cause further blurring of lines between Communist and non-Communist worlds and cause retraction of US strength from around the periphery of the Bloc.

25X1A



Question No. 4: What will be the effect of the new treaty for increased cultural exchange? Can we expect to get down to the Russian people with our message?

Planned East-West exchanges between the United States and the USSR, as they exist today, will only begin the process of opening up the Soviet Union. Some American films, and Radio and TV programs may get a fairly wide audience, and these should have a favorable, although small, impact on the Soviet people. ^{There will also be a modest number of tourists who will see the US at first hand} In general, however, contacts will be limited to ^{privileged groups such as athletes, students, and} educated Soviet officials and technicians who will undoubtedly be strongly committed to the Soviet point of view. The impact of this part of the exchange program on the Soviet people at large will therefore be both indirect and small.

On the other hand, the ^{students and} Soviet technicians and officials contacted will be well enough educated to appreciate the significance of what they see more readily than the average citizen would. Furthermore, ~~these~~ ^{they} ~~technicians and officials~~ will be well placed to have some direct impact on Soviet policy if they are influenced by what they learn in the course of the exchanges. ^{these privileged groups are present and future} Since ~~they~~ ^{they} are leaders of opinion in the Soviet Union ~~these officials~~ ^{they} are an important target for our attempts to communicate ^{American} our point of view.

The present program of planned exchanges might produce two results leading to a greater impact of U. S. thinking on the Soviet people.

First we may be able to encourage some change in attitude in the Soviet Union through direct ^{contacts with privileged groups} ~~impact on the Soviet officials~~. Even more important, however, if these exchanges proceed smoothly the Soviet government may be willing to expand their scope and this in turn would permit us to spread the extent of our impact on the country as a whole.

27 February 1958

Question 5:

What would be the effect on our relative positions of an increase in trade with Russia? Should we extend our economic aid to the satellites where possible?

Answer:

Increased trade between the US and the USSR would probably not provide enormous economic benefits to either country. Soviet leaders, while seemingly amenable to some increase in trade, cannot be expected to allow the USSR to become dependent to any great extent on markets or sources of supply over which they have little or no control. They would probably exercise great discretion over expansion of trade with the US, in particular restricting Soviet exports to items that would not significantly affect the strategic power of the US. Nevertheless, both countries would probably benefit from an expansion of trade within the limits that Soviet leaders conceivably would allow. For example, the US might benefit by importing Soviet manganese or industrial machinery of advanced design, while the USSR might gain by importing American consumer goods or industrial machinery. On the whole, it appears that the modest gains resulting from an expansion of trade would accrue more to the USSR than to the US.

As an information rather than a policy-forming agency of the Executive Branch, I may only point out the tangible results of the extension of American economic aid to Poland. It is our judgment that American aid to Poland, even though only a fraction of that extended

by the USSR, has strengthened Gomulka's leadership in Poland. Gomulka is a Communist, but he is a person who has had the courage to question the absolute hegemony of Russian leadership. His leadership owes much of its success to its ability to hold out hope for freer political, economic and social institutions to non-Communist Poles even though the Gomulka regime itself would be hesitant to initiate such reforms.

ORR/CIA
27 February 1958

27 February 1958

Question 7:

Will the Russian economic system be able to sustain a sizeable foreign aid program?

Answer:

The USSR has sufficient economic strength to sustain a large foreign assistance program as long as Soviet leaders choose to do so. Although the Soviet Gross National Product is only about \$170 million (approximately 40 percent that of the US), Soviet planners allocate a relatively small fraction of available goods and services to consumers. The USSR is already devoting almost as much of its annual output as the US to such things as capital formation, armaments, and foreign assistance. Thus, because of the low living standards in the USSR, a foreign assistance program equal in size to that of the US, would not seriously deter the continued development of the Soviet economy. Moreover, production levels in the USSR are expanding rapidly and should enable Soviet leaders -- if they choose in the future -- simultaneously to spend more than the US is now spending on foreign aid, defense, and military research and development, and achieve limited gains for individual consumption.

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